

FISCAL NOTE
SB 3407 - HB 3810

March 11, 2006

SUMMARY OF BILL: Prohibits health insurers from rescinding or modifying pre-authorization given to a medical provider or denying the authorized payment for the service after the provider renders such service.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$36,000

Other Fiscal Impact – Increase Federal Expenditures – Exceeds \$64,000

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation will have a significant impact on the cost of health insurance premiums if health insurers are not allowed to modify authorized procedures if claims are filed improperly or if a change in the insured's medical condition no longer justifies the service. Such is estimated to exceed \$100,000.

Assumptions:

- A provider would no longer have the responsibility of ensuring that a claim is filed correctly or timely as long as there was a prior-authorization granted for a service or procedure. The TennCare program would be required to pay the authorized price where previously such a claim could be denied or penalized for being improperly filed.
- Managed care organizations (MCO) with the TennCare program, as a secondary provider, could be prevented from denying claims or payment if the service was approved by a primary insurer.
- The TennCare program will incur an increase in expenditures which is estimated to exceed \$100,000 (\$36,265 in state funds and \$63,735 in federal funds).
- The Department of Commerce and Insurance will not incur a significant increase in expenditures due to the administration and enforcement of the provisions of this bill.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

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A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director